NORTH CITY WEST SCHOOL
FACILITIES FINANCING AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NORTH CITY WEST SCHOOL
FACILITIES FINANCING AUTHORITY
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
North City West School
Facilities Financing Authority
Solana Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of North City West School Facilities Financing Authority (the Entity), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the North City West School Facilities Financing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North City West School Facilities Financing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of North City West School Facilities Financing Authority as June 30, 2015 and 2014, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016 on our consideration of North City West School Facilities Financing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North City West School Facilities Financing Authority's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 25, 2016

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
(Required Supplementary Information-Unaudited)
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2015 and 2014
(Unaudited)

This section of the North City West School Facilities Financing Authority's (the "Entity") annual financial report presents management's discussion and analysis of the Entity's financial performance during the fiscal years ended June 30, 2015 (FY 2015) and 2014 (FY 2014). The management's discussion and analysis is required as an element of the reporting model established by the Government Accounting Standards Board (GASB) in Statement Number 34. This is the eleventh year of implementation and the financial data and statements reflect prior year information. The Entity's financial statements follow this section.

Overview of the Entity

The Entity is a Joint Powers Authority (JPA) established in 1983 to provide school facilities, concurrent with need, to support the educational programs for Carmel Valley kindergarten through twelfth grade students. Carmel Valley was formerly named North City West (changed in 1991), and sits within the coastal northwest portion of the City of San Diego. There are three member school districts in the Entity: Del Mar Union School District (grades K through 6); Solana Beach School District (grades K through 6); and San Dieguito Union High School District (grades 7 through 12).

The Entity provides funds for the needed school facilities using available state funding and school fees paid by residential construction. One of the methods currently employed to obtain needed funding from local sources has been to establish Community Facilities Districts (CFDs) and issue Mello-Roos bonds.

The individual school sites and buildings are owned and maintained by the member school districts. The Entity only has ownership of the relocatable classrooms located on school sites.

The absence of school facility assets and the obligation of long-term Mello-Roos bonds is the reason why the reader will see that the Entity's liabilities exceed its assets.

The Entity maintains cash accounts with the Treasurer of San Diego County and construction and other bond accounts with our Trustee, US Bank. While the Entity is not a school district, the San Diego County Office of Education uses its district accounting services to provide our accounting and monthly financial reporting. US Bank, our Trustee, provides the monthly bond fund accounting.

Overview of the Financial Statements

This annual audit consists of three parts: Management's Discussion and Analysis (this section): the basic financial statements; and notes to the financial statements. In addition, our Combined Balance Sheet and Combined Statement of Revenues and Expenditures consist of three funding parts: general; construction; and debt service.

As described in Note B to the financial statements, in FY 2014 the Entity adopted new accounting guidelines under Government Accounting Standards Board Statement No. 63, which requires a change in certain terminology within the financial statements. The Entity also adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Financial Highlights

	June 30, 2015	June 30, 2014
Total net position is:	$(44,430,497)	$(49,737,602)
Total assets consist of: current assets	$21,681,630	$ 20,477,956
capital and intangible assets	$ 889,585	$ 1,040,814
Total liabilities consist of: current liabilities	$5,265,191	$5,120,111
long-term liabilities	$62,495,107	$66,976,814

North City West School Facilities Financing Authority as a Financial Entity

Table 1 provides a comparative summary of the Entity's total net position for fiscal years ending June 30, 2015 and June 30, 2014.

Table 1
Statement of Net Position

	June 30, 2015	June 30, 2014
Assets:		
Cash in County Treasury	$ 13,894,467	$ 12,721,431
Cash with Fiscal Agent	7,774,592	7,745,120
Interest Receivable	12,571	11,405
Total Current Assets	21,681,630	20,477,956
Non-current Assets:		
Buildings and Improvements, net	889,585	1,040,814
Intangible Assets, net	-	-
Total Assets	**$22,571,215**	**$21,518,770**
Deferred Outflows of Resources	**$ 758,586**	**840,553**
Liabilities		
Current Liabilities:		
Accounts Payable	$ 24,008	$ 1,244
Accrued Interest	981,183	1,043,867
Bonds Payable – Current Portion	4,260,000	4,075,000
Total Current Liabilities	5,265,191	5,120,111
Non-current Liabilities:		
Bonds Payable	59,612,921	63,872,921
Unamortized Bond Premium	2,882,186	3,103,893
Total Liabilities	67,760,298	72,096,925
Net Position:		
Restricted	8,147,245	7,830,248
Unrestricted	(52,577,742)	(57,567,850)
Total Net Position	(44,430,497)	(49,737,602)
Total Liabilities and Net Position	**$23,329,801**	**$22,359,323**

Tables 2, 3 and 4 summarize the revenues and expenses for the twelve-month periods ending June 30, 2015 and June 30, 2014.

Table 2
Operating Revenue, Twelve Months Ended

	June 30, 2015	June 30, 2014
Operating Revenue:		
Mello-Roos Special Tax Apportionments	$ 8,410,090	$ 8,396,753
Mitigation Fees	27,043	260,020
Total Operating Revenue	$ 8,437,133	$ 8,656,773

Table 3
Operating Expenses, Twelve Months Ended

	June 30, 2015	June 30, 2014
Operating Expenses:		
Professional Fees	$ 86,894	$ 52,000
Legal Fees	32,457	7,727
Demographic Study	60,385	-
General and Administration	34,362	33,518
Depreciation	151,229	159,601
Amortization	81,967	81,967
Total Operating Expenses	$ 447,294	$ 334,813

Table 4
Non-Operating Revenues & Expenses, Twelve Months Ended

	June 30, 2015	June 30, 2014
Non-Operating Revenue & Expenses:		
Interest & Investment Income	$ 70,450	$ 68,992
Interest & Financing Charges	(2,753,184)	(2,937,908)
Total Non-Operating Revenues and Expenses	$ (2,682,734)	$ (2,868,916)

Current Financial Related Activities

The Entity developed a Facilities Funding Agreement approved in September 2002 that identifies the school facilities remaining to be funded for Carmel Valley students. Included were two new schools: Solana Pacific Elementary School for the Solana Beach School District (completed and opened in September 2004) and Ocean Air Elementary School for the Del Mar Union School District (completed and opened in August 2007). Funding for a major expansion of the Carmel Valley Middle School in the San Dieguito High School District, which is currently under evaluation by the Entity, is also included in the document.

The Fiscal Year Ending June 30, 2015 (FY 2015) is highlighted by continuing new development in the areas of the Entity outside of the existing CFD No. 1 and No. 2 boundaries (non-CFD areas). This is evidenced by an increase in Professional Fees and Legal Fees relating to mitigation fee negotiations with a developer in the non-CFD area that will result in the formation of a new CFD in

FY 2016. Additional development in the non-CFD areas of the Entity boundaries is anticipated during FY 2016.

Total Assets increased by $1 million in FY 2015 as the Entity continues to build funding for the Carmel Valley Middle School expansion and to reimburse member school districts for cost overruns on completed schools. Non-Current Liabilities continue to reduce as the Entity makes scheduled bond principal payments.

Total Operating Revenue for FY 2015 and FY 2014 is primarily from Special Taxes on developed residential property within the CFDs. Mitigation fees, or direct deposit fees, were received for one single family home being developed in the non-CFD areas of the Entity in FY 2015 compared to ten single family homes developed in the non-CFD areas of the Entity in FY 2014. Total Operating Expense for FY 2015 increased by $112,481 (33.6%) compared to FY 2014 primarily due to the additional Professional and Legal Fees, as previously stated, and for an increase in Demographic Study reimbursements to member school districts including a $27,000 catch-up payment to Solana Beach School District for FY 2007-2013 demographic studies not previously reimbursed.

Contacting the Entity's Financial Management

This financial report is designed to provide citizens, taxpayers, and investors and credit rating agencies with a general overview of the Entity's finances and determine the Entity's accountability for the funds received and spent. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, North City West School Facilities Financing Authority, c/o Willdan Financial Services, 27368 Via Industria, Suite 110, Temecula, CA, 92590.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015 AND 2014

	June 30,	
	2015	2014
ASSETS		
Current Assets:		
Cash in County Treasury	$ 13,894,467	$ 12,721,431
Cash with Fiscal Agent	7,774,592	7,745,120
Interest Receivable	12,571	11,405
Total Current Assets	21,681,630	20,477,956
Non-current Assets:		
Buildings and Improvements, net	889,585	1,040,814
TOTAL ASSETS	22,571,215	21,518,770
DEFERRED OUTFLOWS OF RESOURCES	758,586	840,553
LIABILITIES		
Current Liabilities:		
Accounts Payable	24,008	1,244
Accrued Interest	981,183	1,043,867
Bonds Payable - Current Portion	4,260,000	4,075,000
Total Current Liabilities	5,265,191	5,120,111
Non-current Liabilities:		
Bonds Payable	59,612,921	63,872,921
Unamortized Bond Premium	2,882,186	3,103,893
Total Non-current Liabilities	62,495,107	66,976,814
TOTAL LIABILITIES	67,760,298	72,096,925
NET POSITION		
Restricted	8,147,245	7,830,248
Unrestricted	(52,577,742)	(57,567,850)
TOTAL NET POSITION	$ (44,430,497)	$ (49,737,602)

See the accompanying notes to the financial statements

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
JUNE 30, 2015 AND 2014

	June 30,	
	2015	2014
OPERATING REVENUES		
Special Taxes	$ 8,410,090	$ 8,396,753
Mitigation Fees	27,043	260,020
TOTAL OPERATING REVENUES	8,437,133	8,656,773
OPERATING EXPENSES		
Professional Fees	86,894	52,000
Legal Fees	32,457	7,727
Demographic Study	60,385	-
General and Administration	34,362	33,518
Depreciation	151,229	159,601
Amortization	81,967	81,967
TOTAL OPERATING EXPENSES	447,294	334,813
OPERATING INCOME (LOSS)	7,989,839	8,321,960
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Income	70,450	68,992
Interest and Fiscal Charges	(2,753,184)	(2,937,908)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,682,734)	(2,868,916)
INCREASE IN NET POSITION	5,307,105	5,453,044
NET POSITION, BEGINNING OF YEAR	(49,737,602)	(55,190,646)
NET POSITION, END OF YEAR	$ (44,430,497)	$ (49,737,602)

See the accompanying notes to the financial statements

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2015

	Governmental Fund Types			Totals
	General	Construction	Debt Service	(Memorandum Only)
ASSETS				
Cash in County Treasury	$ 13,809,079	$ 85,388	$ -	$ 13,894,467
Cash with Fiscal Agent	-	4,718,910	3,055,682	7,774,592
Accrued Interest Receivable	12,488	83	-	12,571
	$ 13,821,567	$ 4,804,381	$ 3,055,682	$ 21,681,630
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 24,008	$ -	$ -	$ 24,008
Total Liabilities	24,008	-	-	24,008
Fund Balances:				
Restricted				
Debt Services	-	-	3,055,682	3,055,682
Capital Facilities	287,182	4,804,381	-	5,091,563
Unassigned				
Other Unassigned	13,510,377	-	-	13,510,377
Total Fund Balances	13,797,559	4,804,381	3,055,682	21,657,622
	$ 13,821,567	$ 4,804,381	$ 3,055,682	$ 21,681,630

See the accompanying notes to the financial statements.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2014

	Governmental Fund Types			Totals
	General	Construction	Debt Service	(Memorandum Only)
ASSETS				
Cash in County Treasury	$ 12,636,387	$ 85,044	$ -	$ 12,721,431
Cash with Fiscal Agent	-	4,713,203	3,031,917	7,745,120
Accrued Interest Receivable	11,321	84	-	11,405
	$ 12,647,708	$ 4,798,331	$ 3,031,917	$ 20,477,956
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 1,244	$ -	$ -	$ 1,244
Total Liabilities	1,244	-	-	1,244
Fund Balances:				
Restricted				
Debt Services	-	-	3,031,917	3,031,917
Capital Facilities	-	4,798,331	-	4,798,331
Unassigned				
Other Unassigned	12,646,464	-	-	12,646,464
Total Fund Balances	12,646,464	4,798,331	3,031,917	20,476,712
	$ 12,647,708	$ 4,798,331	$ 3,031,917	$ 20,477,956

See the accompanying notes to the financial statements.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015 AND 2014

	June 30,	
	2015	2014
TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	$ 21,657,622	$ 20,476,712
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets in governmental activities are not reported in the funds, net of accumulated depreciation:	889,585	1,040,814
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities including long-term liabilities are reported. Long-term liabilities relating to governmental activities consisted of:	(66,755,107)	(71,051,814)
Unamortized prepaid insurance costs: In governmental funds, prepaid insurance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid insurance are amortized over the life of the debt. Unamortized prepaid insurance costs as deferred outflows of resources on the statement of net position are:	758,586	840,553
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(981,183)	(1,043,867)
NET GOVERNMENTAL POSITION - STATEMENT OF NET POSITION	$ (44,430,497)	$ (49,737,602)

See the accompanying notes to the financial statements

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2015

	General Fund	Construction Fund	Debt Service Fund	Totals (Memorandum Only)
REVENUES				
Special Taxes	$ 8,410,090	$ -	$ -	$ 8,410,090
Mitigation Fees	27,043	-	-	27,043
Investment Income	40,564	6,050	23,836	70,450
TOTAL REVENUES	8,477,697	6,050	23,836	8,507,583
EXPENDITURES				
Administration:				
Professional Fees	86,894	-	-	86,894
Legal Fees	32,457	-	-	32,457
Demographic Study	60,385	-	-	60,385
General and Administrative	34,362	-	-	34,362
TOTAL EXPENDITURES	214,098	-	-	214,098
Excess of Revenues Over (Under) Expenditures	8,263,599	6,050	23,836	8,293,485
OTHER SOURCES (USES):				
Principal Reduction	-	-	(4,075,000)	(4,075,000)
Interest Expense	-	-	(3,037,575)	(3,037,575)
Transfers In (Out)	(7,112,504)	-	7,112,504	-
TOTAL OTHER SOURCES (USES)	(7,112,504)	-	(71)	(7,112,575)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,151,095	6,050	23,765	1,180,910
FUND BALANCE, July 1, 2014	12,646,464	4,798,331	3,031,917	20,476,712
FUND BALANCE, June 30, 2015	$ 13,797,559	$ 4,804,381	$ 3,055,682	$ 21,657,622

See the accompanying notes to the financial statements.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2014

	General Fund	Construction Fund	Debt Service Fund	Totals (Memorandum Only)
REVENUES				
Special Taxes	$ 8,396,753	$ -	$ -	$ 8,396,753
Mitigation Fees	260,020	-	-	260,020
Investment Income	40,564	11,511	26,851	68,992
TOTAL REVENUES	8,687,403	11,511	26,851	8,725,765
EXPENDITURES				
Administration:				
Professional Fees	52,000	-	-	52,000
General and Administrative	41,245	-	-	41,245
TOTAL EXPENDITURES	93,245	-	-	93,245
Excess of Revenues Over (Under) Expenditures	8,594,158	11,511	26,851	8,632,520
OTHER SOURCES (USES):				
Principal Reduction	-	-	(3,955,000)	(3,955,000)
Interest Expense	-	-	(3,215,582)	(3,215,582)
Transfers In (Out)	(6,162,143)	-	6,162,143	-
TOTAL OTHER SOURCES (USES)	(6,162,143)	-	(1,008,439)	(7,170,582)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,432,015	11,511	(981,588)	1,461,938
FUND BALANCE, July 1, 2013	10,214,449	4,786,820	4,013,505	19,014,774
FUND BALANCE, June 30, 2014	$ 12,646,464	$ 4,798,331	$ 3,031,917	$ 20,476,712

See the accompanying notes to the financial statements.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015 AND 2014

	June 30,	
	2015	2014
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 1,180,910	$ 1,461,938
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	(151,229)	(159,601)
Debt service: In governmental funds, repayment of long-term debt is reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for the repayment of the principal portion of long-term debt were:	4,075,000	3,955,000
Prepaid debt insurance costs: In governmental funds, prepaid debt insurance costs are recognized as expenditures in the period they are incurred. In the government-wide statements prepaid debt insurance costs are amortized over the life of the debt . The difference between prepaid debt insurance costs recognized in the current period and prepaid debt insurance costs amortized for the period is:	(81,967)	(81,967)
Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:	221,707	221,707
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	62,684	55,967
CHANGE IN NET GOVERNMENTAL POSITION - STATEMENT OF ACTIVITIES	$ 5,307,105	$ 5,453,044

See the accompanying notes to the financial statements

A. Organization:

The North City West School Facilities Financing Authority (the Entity) was formed by a joint powers agreement among the following San Diego County School Districts: San Dieguito Union High School District, Del Mar Union School District, and Solana Beach School District. The purpose of the Entity is to collect developer fees and rebate the monies to the districts to build the necessary facilities. The North City West School Facilities Financing Authority is an entity separate and distinct from each of its participant districts.

B. Summary of Significant Accounting Policies:

Reporting Entity

In evaluating how to define the Entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The basic, but not the only criterion for including a potential component unit within the reporting entity is the Board of Director's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public services. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the Entity is able to exercise oversight responsibilities.

Based on these criteria, the Entity has no component units. Additionally, the Entity is not a component unit of any other reporting entity as defined by the GASB Statement.

Basic of Presentation and Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The Entity has no business-type activities.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

B. Summary of Significant Accounting Policies: (Continued)

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The emphasis of fund financial statements is on major and non-major governmental funds each displayed in a separate column.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The Entity has no proprietary fund types.

The Entity reports the following major governmental funds:

General Fund. This is the Entity's primary operating fund. It is used to account for all financial resources of the Entity except those required to be accounted for in another fund.

In addition, the Entity reports the following fund types:

Debt Service Fund. This fund is used to account for the payment of principal and interest on general long-term debt. The Entity maintains the debt service fund to account for the accumulation of resources for, and the repayment of bonds, interest and related costs.

Construction Fund. This fund is used to account for capital outlay expenditures to build the necessary facilities for each of the participating school districts.

Budget and Budgetary Accounting

By state law, the Entity's governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The Entity's governing board satisfied these requirements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

B. Summary of Significant Accounting Policies: (Continued)

Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the Entity maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other entities in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the Entity. Tax revenues are recognized by the Entity when received.

Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Entity's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

B. Summary of Significant Accounting Policies: (Continued)

Assigned Fund Balance – represents amounts which the Entity intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Entity itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund Balance Reserves and Designations

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Entity considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Entity considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. A capitalization threshold of $5,000 is used.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the following estimated useful lives of the assets:

Relocatable Buildings and Improvements	25 years

Income Taxes

The Entity is a governmental organization exempt from federal and state income taxes.

B. Summary of Significant Accounting Policies: (Continued)

Funding Sources

Significantly all of the Entity's primary funding sources come from tax apportionment fees and developer fees collected.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Entity prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Entity has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65 Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District has implemented the provisions of this Statement as of the year ended June 30, 2014.

C. Cash and Investments:

Cash in County Treasury

In accordance with Education Code Section 41001, the Entity maintains a substantial amount of its cash in the San Diego County Treasury as part of the common investment pool ($12,721,431 as of June 30, 2014 and $13,894,467 as of June 30, 2015). The fair value of the Entity's portion of this pool as of that date, as provided by the pool sponsor, was $12,737,810 as of June 30, 2014 and $13,912,238 as of June 30, 2015. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The Entity is considered to be an involuntary participant in an external investment pool as the Entity is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the Entity's investments in the pool is reported in the accounting financial statements as amounts based upon the Entity's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash in Banks

Cash balances on hand and in banks are insured up to $250,000 by the Federal Depository Insurance Corporation.

Investments

The Entity's investments at June 30, 2014 are shown below:

Investment or Investment Type	Days to Maturity	Amount Reported	Fair Value
Money Market Funds	<30 Days	$ 4,730,101	$ 4,730,101
First American Treasury Obligations	44	54,076	54,076
U.S. Government Issues	>148 Days	2,960,943	2,947,465
Total Investments		$ 7,745,120	$ 7,731,642

C. Cash and Investments: (Continued)

The Entity's investments at June 30, 2015 are shown below:

Investment or Investment Type	Days to Maturity	Amount Reported	Fair Value
Money Market Funds	<30 Days	$ 5,103,413	$ 5,103,413
First American Treasury Obligations	44	300,882	300,882
U.S. Government Issues	>148 Days	2,370,297	2,365,851
Total Investments		$ 7,774,592	$ 7,770,146

Analyst of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Entity was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurers repurchase or reverse repurchase agreements.

The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAAf by Standard and Poors. U.S. Government Issues are rated AA+ by Standard and Poors with a Moody's rating of AAA.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Entity's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Entity's name.

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

C. Cash and Investments: (Continued)

The market value of the pledging securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits. As of June 30, 2015 and June 30, 2014, the Entity's money market funds of $4,853,413 and $4,480,101 respectively, were exposed to custodial credit risk because the funds were insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Entity.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the Entity contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the Entity was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Entity manages its exposure to interest rate risk by investing in the county pool and laddering maturities for government issues from 1-3 years.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Entity was not exposed to foreign currency risk.

Investment Accounting Policy

The Entity is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Entity's general policy is to report money market investments and short-term participating interest-bearing investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets:

A summary of changes in capital asset activity for the years ended June 30, 2014 and 2015 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Buildings and Improvements	$ 4,321,049	$ -	$ -	$ 4,321,049
Less Accumulated Depreciation	(3,120,634)	(159,601)	-	(3,280,235)
Net Capital Assets	$ 1,200,415	$ (159,601)	$ -	$ 1,040,814

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Buildings and Improvements	$ 4,321,049	$ -	$ -	$ 4,321,049
Less Accumulated Depreciation	(3,280,235)	(151,229)	-	(3,431,464)
Net Capital Assets	$ 1,040,814	$ (151,229)	$ -	$ 889,585

E. Deferred Outflows of Resources:

Debt issue costs for 2005B Bonds, 2006C Bonds, and 2012A Bonds each included prepaid debt insurance. In accordance with GASB Statement No. 65, prepaid debt insurance is recorded as a deferred outflow of resources and amortized over the life of the debt.

A summary of the deferred outflow of resources as of June 30, 2015 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2005B Prepaid Debt Insurance	22 Years	$ 405,937	$ -	$ 29,169	$ 376,768
2006C Prepaid Debt Insurance	14 Years	228,417	-	38,069	190,348
2012A Prepaid Debt Insurance	16 Years	206,199	-	14,729	191,470
Total Deferred Outflows of Resources		$ 840,553	$ -	$ 81,967	$ 758,586

F. Bonds Payable:

Series 2002

In September 2002 the Entity issued $21,857,921 of subordinate special tax revenue bonds with an interest rate of 4.50% to 5.00%. These bonds were issued to finance the acquisition and construction of certain elementary and secondary school buildings and facilities. The bonds are special limited obligations of the Entity payable, as noted below, from proceeds of an annual special tax levied on the developed property located with the Entity district and the levy of the special tax on underdeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution. In September 2012, $17,450,000 in principal was refunded from the proceeds of the Subordinated Special Tax Revenue Bonds, Series 2012A.

The principal amount outstanding at June 30, 2015 was $4,362,921. The bonds mature through September 1, 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ -	$ -	$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	1,168,645	2,531,355	3,700,000
2025-2029	3,194,276	8,080,724	11,275,000
Totals	$ 4,362,921	$ 10,612,079	$ 14,975,000

Series 2005B

In August 2005 the Entity issued $31,110,000 of subordinate special tax refunding bonds with an interest rate of 3.00% to 5.25%. These bonds were issued to provide funds to refund the 1997C senior bonds and pay certain costs related to the bonds. The bonds are special limited obligations of the Entity payable, as noted below, from proceeds of an annual special tax levied on the developed property located within the Entity district and the levy of the special tax on undeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

The principal amount outstanding at June 30, 2015 was $20,880,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1.

F. Bonds Payable: (Continued)

The bonds mature through September 1, 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,160,000	$ 1,065,750	$ 2,225,750
2017	1,220,000	1,003,275	2,223,275
2018	1,285,000	937,519	2,222,519
2019	1,350,000	868,350	2,218,350
2020	1,425,000	795,506	2,220,506
2021-2025	8,320,000	2,742,863	11,062,863
2026-2030	6,120,000	492,975	6,612,975
Totals	$ 20,880,000	$ 7,906,238	$ 28,786,238

Series 2006C

In June 2006 the Entity issued $31,030,000 of subordinate special tax revenue refunding bonds with an interest rate of 5.00%. These bonds were issued to provide funds to refund the 1995B senior bonds and pay certain costs related to the bonds. The bonds are special limited obligations of the Entity payable, as noted below, from the proceeds of an annual special tax levied on the developed property located within the Entity district and the levy of the special tax on undeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

The principal amount outstanding at June 30, 2015 was $13,715,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1.

The bonds mature through September 1, 2019 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 2,480,000	$ 623,750	$ 3,103,750
2017	2,610,000	496,500	3,106,500
2018	2,735,000	362,875	3,097,875
2019	2,875,000	222,625	3,097,625
2020	3,015,000	75,375	3,090,375
Totals	$ 13,715,000	$ 1,781,125	$ 15,496,125

F. Bonds Payable: (Continued)

Series 2012A

On June 6, 2012, the Entity issued $27,485,000 of Subordinate Special Tax Revenue Bonds, Series 2012A. The bonds bear fixed interest rates ranging from 2.00% to 5.00% with annual maturities from September 2012 through September 2027. The net proceeds of $30,493,868 (after premium of $3,547,307 less underwriters discount of $178,653 and cost of assured guaranty insurance and surety premium in the amount of $359,786) were used to refund $15,310,000 of the District's outstanding Subordinate Special Tax Revenue Bonds, Series 2005A and partially refund $17,495,000 of the District's outstanding Subordinate Special Tax Revenue Bonds, Series 2002. In addition, $3,209,208 in prior bond funds from Series 2005A and $28,111 in prior bond funds from Series 2002 were made available and used for an additional funding source for the refunding and to offset insurance expense, discounts, and other issuance costs.

Net proceeds of $17,885,375 were deposited into an individual escrow fund for the refunding of the Series 2002 Bonds and net proceeds of $12,284,239 were deposited into an individual escrow fund for the refunding of the Series 2005A Bonds with remaining funds of $324,254 deposited to a cost issuance fund. The outstanding and remaining debt service of $15,310,000 for the Series 2005A bonds was paid in full on June 12, 2012. The partial refunding of the Series 2002 bonds in the amount of $17,495,000 was paid on September 4, 2012.

The 2012 Bonds are payable from installment payments to be made by the Community Facilities District pursuant to an agreement dated June 1, 2012. The installment payments are payable from certain special taxes levied on developed property within the boundaries of the Community Facilities District. The principal outstanding at June 30, 2015 was $24,915,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1.

The bonds mature through September 1, 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 620,000	$ 1,152,300	$ 1,772,300
2017	685,000	1,132,725	1,817,725
2018	660,000	1,112,550	1,772,550
2019	730,000	1,088,050	1,818,050
2020	755,000	1,058,350	1,813,350
2021-2025	18,095,000	2,761,375	20,856,375
2026-2030	3,370,000	258,000	3,628,000
Totals	$ 24,915,000	$ 8,563,350	$ 33,478,350

G. Changes in Long-Term Debt:

A schedule of changes in long-term debt is as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
2002 Bonds	$ 4,362,921	$ -	$ -	$ 4,362,921
2005B Bonds	21,980,000	-	1,100,000	20,880,000
2006C Bonds	16,075,000	-	2,360,000	13,715,000
2012A Bonds	25,530,000	-	615,000	24,915,000
2012A Bond Premium	3,103,893	-	221,707	2,882,186
Total	$71,051,814	$ -	$ 4,296,707	$66,755,107

H. Bond Premium:

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond as interest. Premium issued on the bonds resulted in an effective interest rate as follows:

	2012 Series A Bonds
Total Interest Payments on Bond	$ 11,791,153
Less Bond Premium	(3,547,306)
Net Interest Payments	$ 8,243,847
Par Amount of Bond	$ 27,485,000
Periods	16
Effective Interest Rate	1.87%

OTHER INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
North City West School
Facilities Financing Authority
Solana Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of North City West School Facilities Financing Authority, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise North City West School Facilities Financing Authority's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control Over Financing Reporting

In planning and performing our audits, we considered North City West School Facilities Financing Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North City West School Facilities Financing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of North City West School Facilities Financing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North City West School Facilities Financing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 25, 2016